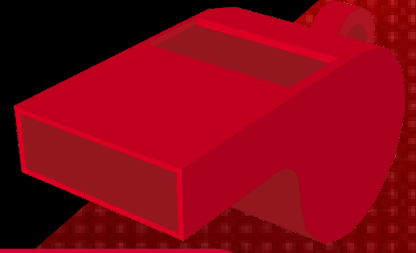


TAX ALERT

December 31, 2025



Advance Pricing Agreements

Introduction

- The Federal Tax Authority ('FTA') has issued Corporate Tax Guide|CTGAPA1, providing detailed guidance on Advance Pricing Agreement ('APA') framework under the UAE Corporate Tax regime.
- In accordance with Article 59 of the UAE Corporate Tax Law, an APA application may be submitted with the FTA for the purposes of determining the Arm's Length Price ('ALP') in respect of Controlled Transactions that are either proposed to be undertaken or have already been entered.
- This Tax Alert elaborates the scope, timelines and procedural aspects as set out in the Guide.

Overview of APA

- An APA is a voluntary mechanism that enables a Person to enter in an agreement with the FTA for the determination of the ALP of Controlled Transactions over an agreed period of time.
- The mechanism aims to:
 - Provide tax certainty and predictability
 - Reduce transfer pricing audit and litigation risk
 - Facilitate co-operative engagement with the FTA
 - Mitigate double taxation risks (particularly under bilateral/multilateral APAs)

Types of APA

- Unilateral APA ('UAPA')
 - Agreement between a Person and the FTA for domestic and cross border Controlled Transactions
 - Binding on the FTA and Person that is party to the UAPA
 - Binding solely for UAE Corporate Tax purposes

- Bilateral APA ('BAPA') and Multilateral APA ('MAPA')
 - Agreement between competent authorities of more than one jurisdiction.
 - Provides tax certainty in relation to Controlled Transactions in the UAE and the relevant foreign jurisdictions.

Key highlights

FTA shall accept UAPA applications for domestic transactions from December 2025. For cross-border transactions, commencement date for UAPA applications will be announced in 2026.

APA programme is being introduced in a phased manner, initially through UAPAs → Additional guidance and date of receiving APA applications other than UAPAs shall be announced in the future.

Scope and Fee of APA

- An APA will set out the criteria for determining the ALP in relation to Controlled Transactions, over a fixed period of time.

Key highlights

An APA shall be applied for a **minimum of three and a maximum of five tax periods**. Further, UAPAs, at this stage, shall only cover **prospective periods**.

APA filing fee : AED 30,000 and APA renewal fee : AED 15,000 (both non-refundable)

Eligibility and Materiality Threshold

- An APA may be applied if there are significant uncertainties in determining criteria for establishing the ALP of Controlled Transactions. This may include complex Controlled Transactions or Controlled Transactions which have audit exposure.

Key highlights

Controlled transactions that falls under the purview of safe harbour provisions shall not be considered for APA → Low value adding intra-group services are outside the ambit of APA.

Domestic Controlled Transactions may be covered under UAPA where the Person and its domestic Related Party are subject to **different Corporate Tax rates or are eligible for tax incentives under the UAE Corporate Tax Law**.

- **Aggregate arm's length value** (proposed by Person through its own analysis) of covered/proposed to be covered **controlled transactions must be \geq AED 100 million per tax period.**
- In the case of a Tax Group, AED 100 million threshold shall be assessed at the Tax Group level. Controlled Transactions undertaken between members of the Tax Group are excluded both for the purposes of applying for APA and for computing the threshold (subject to certain exception such as where Controlled Transaction is required to be recognized for specific purposes under the Corporate Tax Law, i.e., for tax incentives).

Key highlights

The threshold is an indicator, not an absolute condition i.e., applications below the threshold may still be accepted with robust justification and applications meeting the threshold may be rejected in absence of sufficient rationale.

Stages of APA

1

Pre-filing consultation

- Person proposing to make an APA application must make a request to the FTA for a pre-filing consultation, in format prescribed by the FTA.
- Pre-filing consultation is aimed to assess suitability of the Person to enter in the APA.
- Only a Tax Agent registered for Corporate Tax purposes with the FTA may submit the APA Request on behalf of the Person in the prescribed form.
- FTA shall review the pre-filing request, supporting documentation, schedule pre-filing meeting with the Person and accordingly, issue the outcome of pre-filing consultation.
- FTA may reject pre-filing request for certain reasons:

Indication of a tax avoidance strategy	Limited scope of APA	ALP can be determined beyond significant doubt
Forecast of significant restructurings	Unsatisfactory rationale to include Transactions	Unpredictable business

Key highlights

Communication with the FTA on any aspect of APA programme can be submitted from **30 December 2025** by email to APA@tax.gov.ae , or via EmaraTax from the date that shall be announced.

FTA shall endeavor to conclude pre-filing consultation within **six to nine months from receipt of the pre-filing request.**

2

Filing of APA application

- Upon receipt of notification to proceed with APA filing, Person may submit APA application, in format prescribed by the FTA.
- APA application and all related documents must be in English or Arabic.
- Person shall file APA application by the earlier of the following two timelines:
 - within two months from the date of notification by the FTA, or
 - atleast 12 months before the first covered tax period

Key highlights

Indicative UAPA timelines (assuming January – December as tax period):

APA pre-filing	APA pre-filing approval by FTA (assumed as six months)	APA application	APA covered tax periods
1-Jan-2026	30-Jun-2026	31-Aug-2026	2028 to 2032
1-Apr-2026	30-Sep-2026	30-Nov-2026	2028 to 2032
1-Jul-2026	31-Dec-2026	28-Feb-2027	2029 to 2033

- FTA shall conduct review of the APA application which generally includes:

Review of information and documents	Request for additional information/clarification	Site visits/interviews, in-person or video conference
FTA may engage industry or functional experts	Person to share signed minutes of the meeting	Interviews shall be in English (Arabic, if requested)

- Merely filing of APA shall not influence any ongoing Tax Audit of the Person.
- FTA may reject APA application for certain reasons:

Materiality threshold is not met	Discrepancy in substance and form	Facts have significantly changed since pre-filing
Insufficient records to support the assumptions	Incorrect, incomplete or misleading information	Inadequate or unreliable economic analysis

Key highlights

The FTA shall **not** use any information and documents gathered during the APA process for audit purposes.

3

Evaluation and analysis

- FTA shall prepare a Transfer Pricing analysis that addresses manner and key criteria of determining ALP, any other terms and conditions, including critical assumptions
- The Person shall confirm feedback in writing to the FTA's analysis within 30 business days from receipt of the analysis.
- Upon request, FTA may provide an opportunity to discuss the analysis.

4

Conclusion and Implementation of APA

- APA shall be signed by both parties on mutually agreed terms.

Key highlights

FTA shall **endeavor to conclude an APA as soon as possible** and within the best practice timelines prescribed by the Organisation for Economic Co-operation and Development ('OECD').

Key highlights

If parties are unable to reach a mutually agreeable position, **APA application may be closed without concluding the APA.**

APA application may be withdrawn at any point prior to reaching conclusion. However, withdrawal, specifically at an advanced stage of the process in absence of valid justification, is discouraged.

APA agreement shall only be applicable on the Person for the covered Tax periods → APA does not set a precedent on any other Tax periods of the Person.

APA Annual Declaration

- Person who has entered in APA agreement with the FTA shall be required to file an APA Annual Declaration for each covered Tax period, in format prescribed by the FTA.
- Subject Declaration shall be aimed at assessing the following for the Tax period:
 - adherence to the terms and conditions agreed upon in APA
 - consistent and accurate application of agreed-upon most appropriate method
 - correctness of supporting data and calculations
 - validity and relevance of critical assumptions
- APA Annual Declaration is required to be **filed by the later** of the following two timelines:
 - within 90 business days of signing APA, or
 - by the tax return filing due date

Revision, cancellation, revocation of APA

- FTA may revise APA if there is:
 - change in UAE Corporate Tax affecting the treatment of Controlled Transactions
 - change in business, economic or other conditions, which requires assessment of or modification of critical assumptions of existing APA
 - any exceptional circumstances notified by the Person

Key highlights

If revision is not feasible or both parties are unable to reach a mutual agreement, **APA may be cancelled prospectively from the Tax Period in which the event occurred, while remaining valid for prior Tax Periods covered under the APA.**

- FTA shall revoke or cancel APA in any of the following cases:
 - Material misrepresentation in APA application or APA Annual Declaration

- Failure to comply with one or more material terms and conditions of APA
- Breach of critical assumptions

Key highlights

FTA shall revoke APA from the first Tax period covered under APA → Controlled Transactions previously governed by APA shall be subject to the Corporate Tax Law and Tax Procedures Law.

Depending on the severity of the breach or non-compliance, the FTA may cancel the APA with prospective effect, starting from the Tax period in which the breach occurred and applying to all subsequent Tax Periods.

Renewal of APA

- Application of renewal of APA may be made by the Person if:
 - there are no material changes to facts of the Controlled Transactions
 - critical assumptions remain valid
- Renewal application shall be made at least three months before the expiry of the existing APA.
- Renewal request shall follow same procedures as filing of APA application, with the exception that a pre-filing consultation is not required.

Strategic Takeaways

- APA framework marks a significant maturity milestone for the UAE Transfer Pricing regime.
- APAs, while voluntary, offer an effective mechanism to manage transfer pricing risk for complex or material transactions.
- Early identification of eligible transactions, robust pre-filing preparation and robust economic support will be critical to success.
- APAs should be viewed not merely as a compliance tool, but as a long-term risk management and certainty mechanism.

Contents of APA application (indicative)

Details of Person's business

Group overview	Group structure, including ultimate parent and immediate parent entity
Industry and peer/ competitor overview	Business strategies, budget statements, projections
Description of key products/services	Description of supply chain
Key value drivers	Description of key suppliers

Details of related parties with whom APA is requested for

Name of related party	Tax registration number of related party
Description of business of related party	Description of key products/services

Details of APA, Controlled Transactions

Application type (New/Renewal)	Type of UAPA (domestic or cross-border)
Tax periods proposed to be covered	Details of Controlled Transactions (value, nature, pricing mechanism, proposed methodology etc.)
Copy of inter-company agreements	Detailed Function, Asset and Risk analysis
Detailed benchmarking analysis	Details of secondary Transfer Pricing method applied, if any

Details of financial information and Transfer Pricing background

Financial statements (standalone and consolidated of Person's group)	Segmental operating data
Accounting standards followed by Person and its Related Parties	Transfer Pricing methodologies, and practices for the Controlled Transactions during the prior two Financial Years
Relevant tax rulings with foreign tax administrations related to the Controlled Transactions	Ongoing or concluded Corporate Tax litigation history



Ranking 2026:

- Tier 1 – Indirect Tax
- Tier 2 – General Corporate Tax, Transfer Pricing, Transactional Tax
- Other Notable: Tax Controversy

www.dhruvaconsultants.com

UAE CONTACTS

NIMISH GOEL

Leader, Middle East
nimish.goel@dhruvaadvisors.com
Tel (UAE): +971 50 106 6531
Tel (KSA): +966 54 760 1600

KAPIL BHATNAGAR

Partner
kapil.bhatnagar@dhruvaadvisors.com
Tel: + 971 5 868 36207

RAKESH JAIN

Partner
rakesh.jain@dhruvaadvisors.com
Tel: +971 50 135 2319

SANDEEP KUMAR

Partner
sandeep.kumar@dhruvaadvisors.com
Tel: +971 50 504 8787

VLAD SKIBUNOV

Partner
vlad.skibunov@dhruvaadvisors.com
Tel: + 971 54 404 0510

MONIKA MINDSZENTI

Director– Transfer Pricing
monika.mindszenti@dhruvaadvisors.com
Tel: +971 5 499 70589

ARMAAN ANWAR

Senior Manager– Transfer Pricing
armaan.anwar@dhruvaadvisors.com
Tel: +971 5 025 33907

GEET SHAH

Partner
geet.shah@dhruvaadvisors.com
Tel: +971 50106 9034

UJJWAL KUMAR PAWRA

Partner
ujjwal.pawra@dhruvaadvisors.com
Tel: +971 50199 3363

SHIRAZ SALEEMI

Associate Partner
shiraz.saleemi@dhruvaadvisors.com
Tel: +971 506602520

KSA CONTACTS

MANISH BANSAL

Associate Partner
manish.bansal@dhruvaadvisors.com
Tel: +966 54 645 0681

GOPAL AGARWAL

Director
gopal.agarwal@dhruvaadvisors.com
Tel: +966 54 806 9633

TAPAN AGRAWAL

Senior Manager– Transfer Pricing
tapan.agrawal@dhruvaadvisors.com
Tel: +971 5 020 33917

AKANKSHI BHATIA

Senior Manager– Transfer Pricing
akankshi.bhatia@dhruvaadvisors.com
Tel: +971 5 428 99215

HIMANSHI VATS

Manager– Transfer Pricing
himanshi.vats@dhruvaadvisors.com
Tel: + 971 5 025 35369

DHRUVA CONSULTANTS

Dubai

207, Emaar Square, Building 4, PO
Box 127165, Dubai, UAE
Tel: + 971-4240-8477

Abu Dhabi

1905, Addax Tower City of Lights,
Al Reem Island, Abu Dhabi, UAE
Tel : +971-2678-0054

Saudi Arabia

308, 7775 King Fahd Road, Al
Olaya, 2970, Riyadh 12212,
Saudi Arabia

DHRUVA ADVISORS

Mumbai | Ahmedabad | Bengaluru | Delhi/NCR | Gift City | Kolkata | Pune

DHRUVA ADVISORS PTE. LTD.

Singapore

Disclaimer:

This information contained herein is in summary form and is therefore intended for general guidance only. This publication is not intended to address the circumstances of any particular individual or entity. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. This publication is not a substitute for detailed research and opinion. Before acting on any matters contained herein, reference should be made to subject matter experts and professional judgment needs to be exercised. Dhruva Consultants will not accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication.